

VZCZCXRO5956  
RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN  
DE RUEHLG #0196 0740822  
ZNR UUUUU ZZH  
R 150822Z MAR 07  
FM AMEMBASSY LILONGWE  
TO RUEHC/SECSTATE WASHDC 3973  
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY  
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC 0498  
RUEAIIA/CIA WASHDC

UNCLAS LILONGWE 000196

SIPDIS

STATE FOR AF/S, INR/AA  
STATE FOR EB/IFD/ODF, EB/IFD/OMA  
TREASURY FOR INTERNATIONAL AFFAIRS/AFRICA  
USAID FOR AFR/SA, ODP/MCC

SIPDIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EAID](#) [EFIN](#) [PGOV](#) [MI](#)  
SUBJECT: MALAWI EARNS IMPROVED CREDIT RATING

¶1. (U) Summary: Malawi's sovereign credit rating has improved from "CCC" to "B minus", according to a newly-released assessment by international credit rating agency Fitch Ratings. The Millennium Challenge-funded evaluation praises the sound fiscal management of the Mutharika government and predicts a stable outlook for Malawi's economy in the near term. End summary.

¶2. (U) As one of the key activities of Malawi's MCA Threshold program, Fitch Ratings was contracted to carry out a sovereign credit rating (SCR) assessment in November 2006. The primary objective was to provide a basic performance measurement for the GOM's reform program of anti-corruption measures and improved fiscal management. The Fitch visiting team met with a wide cross section of players in government, parliament, the financial sector, donors and the broader business community. The results of the assessment were released on March 6, and Malawi's SCR has been upgraded from "CCC" to "B minus with a stable outlook."

¶3. (U) The Fitch report cautions that Malawi must improve its ability to manage external borrowing to avoid a rapid accumulation of new debt, and must carefully manage its public finances in the run-up to national elections in 2009. It acknowledges the potential for improved current account and fiscal receipts from the new Kayelekera uranium mine project, scheduled to open late 2008. Fitch predicts that, with careful fiscal management and improved inflows, there is room for Malawi to progress to a higher rating within the "B" category.

EASTHAM